Mr. Speaker, in light of the ongoing unique suffering of the Kashmiri Pandits, I am urging the Indian government to recognize the Kashmir Pandit community as a minority under Indian law to provide additional benefits and protection. While Hindus are the majority religion in India as whole, they are a minority, and indeed, a persecuted minority in Jammu and Kashmir.

Mr. Speaker, it is my understanding that the chairman of the National Minority Commission has proposed that Hindu minorities in various Indian states be officially classified as minorities. The chairman's recommendation is pending before the government. Although such a designation would usually require an amendment to be passed by the parliament, the Lok Sabha, the lower House of the Indian Parliament, there may be occasions where the commission can unilaterally act.

While the details of such an action are obviously an internal matter for India's government, I soon will be circulating a letter to India's Prime Minister Vajpayee, which I hope my colleagues in Congress will join me in signing, urging that the appropriate steps be taken to provide the Pandits with the minority designation.

Mr. Speaker, the militants, with Pakistan's backing, have transformed a peaceful, secular state in India, one which happens to have a predominantly Muslim population, into a killing field. The militants make no secret of their desire to drive the Pandits out of Kashmir and do not think twice about killing as many of them as possible. And under such a severe, violent threat to their very existence, I believe that the designation of minority status is an urgent priority and respectfully urge the Indian Government to make this designation.

While I understand the enormity of the challenge, I urge Prime Minister Vajpayee and his government to create an environment in which the Pandit community can return to their homeland in the Kashmir Valley in the future. I also urge that the government of India raise the ongoing genocide of the Kashmiri Pandit community in bilateral talks with Pakistan.

I have the highest regard for Prime Minister Vajpayee, both personally and in his capacity as the elected leader of the world's largest democracy. I know he also grieves over the victimization of the Kashmiri Pandit community, and I hope to work closely with the Indian Government with the support of the Kashmiri-American community in resolving this humanitarian crisis.

SECURITY AT OUR NATIONAL LABS—WE MUST ALL BE CONCERNED

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. JONES) is recognized for 5 minutes.

Mr. JONES of North Carolina. Mr. Speaker, last week I came to the floor to talk about Chinese espionage, something that seems to be missing in media coverage. A couple of weeks ago, an interview on The O'Reilly Factor caught my attention. Bill O'Reilly spoke with Lieutenant Colonel Edward McCallum, the director of Security and Safeguards for the Department of Energy. After 9 years serving in this position, Colonel McCallum has been placed on administrative leave and his job has been threatened.

Mr. Speaker, Colonel McCallum has a long and distinguished military career. The colonel is an individual who takes his job as a defender of our Nation and our constitutional rights seriously. Colonel McCallum has dedicated his life to protecting the citizens and the critical national security interests of America; and now, he is being punished because he came forward with facts surrounding espionage at our research and weapons laboratories.

Mr. Speaker, when President Clinton appointed Hazel O'Leary Energy Secretary, a dangerously casual attitude invaded the Department of Energy. Colonel McCallum has said that as security was relaxed and even cut, he and members of his staff repeatedly contacted Secretary O'Leary's office urging her to take measures to protect our sensitive technology. Unfortunately, their efforts were ignored. This destructive management style began with Secretary O'Leary, but similar efforts to urge Secretary Bill Richardson to protect the security of our weapons laboratories has been stonewalled.

Mr. Speaker, it is bad enough to think that our national security has been compromised. Now the same government that fails to recognize the gravity of stolen national security secrets is penalizing individuals like Colonel McCallum who fought and continued fighting for the safety and protection of our Nation. This is outrageous and completely unacceptable. It was Colonel McCallum's responsibility as the director of Security and Safeguards to make the Department aware of how to better protect U.S. technology; and yet, when he and Members of his staff tried to bring attention to the issue and make changes, nobody listened, or worse, chose to ignore his warnings.

This begs the question: What else could have been stolen and who else could have gained access to this information? What new information is now available to other nations that threaten each and every citizen, and why are we not more concerned?

Mr. Speaker, the safety and protection of our national security is an issue of critical national importance. We must commend, not penalize, men and women like Colonel McCallum whose dedication and commitment to this country is so strong that they would risk losing their jobs and their livelihood to protect America.

We know this administration is responsible for compromising our national security. At the very least, that is unforgivable. In administrations of greater accountability, these acts would have been labeled treasonous. Instead, they would like to quiet Colonel McCallum and bury this messy espionage issue.

This is an issue with serious consequences for each of us. When our national security is compromised, so too is the safety of each and every American. Unfortunately, this concern is lost on many Americans. The advances gained by other nations make all Americans more vulnerable. As such, we should all be concerned; we all must be concerned.

Mr. Speaker, last week I had the opportunity to appear on The O'Reilly Factor to talk about Chinese espionage and Colonel McCallum's quest for the truth. As Mr. O'Reilly and I discussed, something must be done for the colonel and the American people who rely on the government to protect and defend them and their way of life. Like all Americans, Colonel McCallum deserves protection. While the administration is threatening his job simply for telling the truth, they threaten security and safety of us all.

Mr. Speaker, it has become clear that the President and the administration are not committed to our national security, nor are they committed to the individuals who dedicate their lives to protecting it. Therefore, my good friend and colleague from Pennsylvania (Mr. WELDON) and I joined together to send a letter to the gentleman from South Carolina (Mr. SPENCE), the chairman of the Committee on Armed Services, asking the colonel to testify before the committee about this grave matter. With help from Fox News and Bill O'Reilly, we have aggressively followed and reported on this subject.

We can continue informing the American people how this administration has compromised our national security. Since my appearance last week, Mr. O'Reilly and I have heard from scores of average citizens from across our Nation. Each e-mail, letter or phone agreed on two basic points: first, to protect this country, we must act to address past occurrences of espionage while ensuring that it does not happen in the future; second, we must protect patriots like Colonel Ed McCallum who continues fighting to protect our national security.

Mr. Speaker, I agree with the citizens who contacted my office: the security of our Nation is precious.

☐ 1915

IT'S TIME TO DECIDE OUR NATIONAL PRIORITIES

The SPEAKER pro tempore (Mr. SIMPSON). Under a previous order of the House, the gentleman from Massachusetts (Mr. MCGOVERN) is recognized for 5 minutes.

Mr. MCGOVERN. Mr. Speaker, last week we saw the budget allocation for the Departments of Labor, Health and

Human Services, and Education cut by an additional $1 billion, making for a potential $12 billion shortfall in these programs. We saw that same Committee on Appropriations bring to the House floor the FY 2000 defense bill as a level $10 billion above the 1997 budget agreement cap for defense, and $5.7 billion above the Administration's request, a request that was already $1 billion greater than the FY 1999 allocation.

We saw the Republican majority approve a GOP tax bill, mainly for the very wealthy, which would reduce Federal revenues somewhere in the neighborhood of $800 billion over the next 10 years, and nearly $3 trillion in the following decade.

What is wrong with this picture? What is wrong is what is missing, funding for our children: for their education, their health and well-being; funding for our seniors: their security, their medicine, and their basic needs; funding for our communities: for their economic development and safety, the protection of open space, safe drinking water, clean air, and the recovery of polluted land.

In a time of unprecedented economic prosperity, I believe we have a unique opportunity to face the issues and solve the problems that have been holding individuals and communities back for decades. We have the resources, if managed carefully, to increase Federal grant assistance for higher education; rebuild our public schools; protect and preserve our national resources; attack poverty and homelessness; clean up contaminated urban sites; invest in environmental, medical, and other technologies; establish early childhood development programs for all our children, and ensure that the health of our children and our seniors is safeguarded for a generation. All we need is the political will to make these choices our national priorities.

In 1997, Congress approved one of the largest tax cuts in the history of our country. We do not need over $100 billion in new tax breaks for corporations and new favors for the wealthiest Americans when our schools and our communities and infrastructure need significant repair and modernization.

We do not need $4 billion to $5 billion worth of pork barrel projects in the defense bill, projects the Pentagon did not ask for and does not want, year after year after year, when that money could reduce classroom size in grades K through 3.

Do not tell me the money is not there. President Clinton presented a budget for the Pentagon that was $1 billion more than last year's level, increases that will continue annually over the next 6 years. The defense bill approved by the House last week is $5.7 billion more than even the President's request.

By contrast, according to the Children's Defense Fund, to provide health insurance for every uninsured child in the United States would cost $11 billion.

Do not tell me the money is not there. Last week the Republican majority said we can eliminate the estate tax for the 300 largest, wealthiest estates in America, but we cannot provide seniors with the prescription drug benefit. This Congress is deciding the Nation's future, the fate of its children, its seniors, its communities, its farms, without a serious debate on the critical needs and priorities of our Nation.

If the defense budget over the next 5 years includes just the increases requested by President Clinton and the GOP tax bill is implemented, then all other discretionary spending will have to be cut by nearly 40 percent. That is a 40 percent cut in education, in veterans programs, in Head Start, in disaster relief, in urban development, in immunizations for infants and toddlers.

The current budget caps are intolerable if we are to address the current needs of our communities. Is this Congress really prepared to implement a fiscal program that will require an additional 40 percent reduction in all non-defense programs? Does the majority really want this to be the anti-education, anti-children, anti-seniors, anti-veterans Congress, or is it trying to return us to the days of big deficits?

We can do better and we must do better. We are elected to do better. I firmly believe we can have a strong and modern defense second to none without the increases being suggested, but it will require a significant reordering of priorities within the Armed Forces. It will require greater accountability on the part of the Pentagon for the funds it receives. It will require our allies to pay their fair share for global defense. It will also demand restraint and responsibility on the part of all Members of Congress not to load up the defense budget with unneeded and unasked for weapons, equipment, and facilities.

I believe we should provide responsible tax relief to help the most vulnerable in our society become more productive and financially secure, to eliminate the major penalty, to modernize our schools, and enhance our ability to research and develop the technology machinery of the next century.

We have an historic opportunity to address longstanding needs and bring every American into a more prosperous future. I hope we will do that, and not squander this moment with irresponsible spending and reckless tax cuts like the one the Republican majority approved last week.

Mr. Speaker, I include for the RECORD the following material relating to the budget.

The material referred to is as follows:

SUMMARY: ''WHY A COLD WAR BUDGET WITHOUT A COLD WAR?''

Dr. Lawrence Korb, the former Assistant Secretary of Defense under Ronald Reagan, has outlined an alternative Pentagon budget that would reduce spending by more than 17% per year ($48 billion). Dr. Korb's study was sponsored by Business Leaders for Sensible Priorities (BLSP), a coalition of business people and military officials who are currently advocating a 15% reduction in the Pentagon budget. They believe this money can be reinvested in programs that build American communities, such as school modernization, class-size reductions, healthcare and other local and state programs. Dr. Korb calls the present Clinton Administration plan ''A Cold War Budget without a Cold War'' and argues for restructured spending that strengthens the U.S. military in a manner reflective of the drastically changed world order.

INVESTMENT

Dr. Korb's $75 billion annual modernization proposal (20% less than the present $94 billion investment budget) would replace aging equipment and increase our technological edge. Dr. Korb's plan would actually modernize U.S. forces ''more rapidly at a lower cost'' than the current investment strategy. The Pentagon could achieve this by buying less expensive weapons that would still be the most powerful in any battle, rather than building the next generation of unproven weapons at three times the price. ''Rushing new generations of weapons systems into production,'' Dr. Korb reports, ''is an antiquated Cold Ware practice that continues to cost taxpayers billions.''

NUCLEAR CAPABILITY

The Korb report calls the $30 billion spent annually on strategic nuclear forces a remnant of the former U.S./Soviet practice of mutual assured destruction. Dr. Korb urges the U.S. cut the number of strategic nuclear weapons from its present level of 7,500 to a number no greater than 1,000 a quantity large enough to destroy any possible targets but small enough to be maintained at $15 billion per year (half the present rate).

READINESS

Dr. Korb details a readiness package costing no more than $145 billion per year, $21 billion less than present spending ($166 billion). Dr. Korb's plan would maintain forces capable of winning a major theater war and conduct a significant peacekeeping mission, while maintaining a presence in the other key areas around the globe. Dr. Korb finds that the Pentagon currently overspends in force deployment. He maintains, for example, that stationing 100,000 U.S. troops in Europe is excessive and that 50,000 troops would constitute an effective presence in Europe (which can afford to do more to protect its own interests).

CONCLUSION

Dr. Korb's report stresses the importance of making a Pentagon budget responsive to the reality of the post Cold War world. No longer should the U.S. Government overspend to ensure security or compete in an arms race with the Soviet Union. As the only remaining superpower, it is time for us to adjust spending to reflect that place of privilege and responsibility. Dr. Korb's realistic budget proposals set an important standard for fiscal responsibility. Pentagon officials were immune to financial constraints during the Cold War era, and the recent reviews they have conducted have been, Dr. Korb tells us, ''nothing more than a rationalization for the existing force structure.'' Business Leaders believes that it is now time for the Pentagon to follow Dr. Korb's lead and become accountable for spending taxpayers' assets.

[From the Washington Post, July 24, 1999]

BUSINESS GETS BIG BREAKS IN TAX BILLS

(By Dan Morgan)

After years of tight budgets and a Congress focused on cutting the deficit, business this week cashed in on the new economic climate to win billions of dollars in breaks tucked into the tax bill that passed the House and another working its way through the Senate.

Capitalizing on the new era of government surpluses are multinational corporations, utility companies, railroads, oil and gas operators, timber companies, the steel industry and small business owners.

Along with the breaks for those behemoths, smaller provisions sprinkled through the bills will give tax relief to seaplane owners in Alaska, sawmills in Maine, barge lines in Mississippi and investor Warren Buffett. Other provisions assist Eskimo whaling captains on Alaska's North Slope and Carolina woodlot owners.

The House version contains almost $100 billion in direct tax breaks for business over the next decade—and dozens more provisions that will benefit various industries indirectly. The Senate Finance Committee reported out a different and less generous measure giving business about $50 billion in direct tax relief.

While special provisions in tax and budget bills are a staple of life in Washington, the difference this time is that, with a projected $3 trillion budget surplus over the next decade, the lawmakers enjoyed far more flexibility to gratify lobbyists' wishes.

''If you're a business lobbyist and couldn't get into this legislation, you better turn in your six-shooter,'' said a Democratic lobbyist. ''There was that much money around.''

The Republican tax plans, which would cut nearly $800 billion in taxes over the next 10 years, face a long and uncertain road, and are sure to be sharply scaled down before President Clinton will agree to sign them.

Still, the sections providing tax relief for corporations make clear that business intends to use its political muscle to claim its share of the surplus.

Republican leaders strongly defended the tax concessions, saying they are needed to strengthen the competitiveness of U.S. global business, help distressed industries such as steel and oil, and encourage mergers that make the economy more efficient. And they noted that the bulk of tax cuts in the bill go to benefit families.

But some critics—even within the GOP—said the largess to special interests repudiates the party's pledge to eliminate ''corporate welfare.''

''Republicans promised to change this kind of behavior,'' said Sen. John McCain (R–Ariz.), an opponent of ''pork barrel'' spending. ''But I think it's fairly obvious that hasn't been the case. Now we're going to see this big thick tax code on our desks, and the fine print will reveal another cornucopia for the special interests, and a chamber of horrors for the taxpayers.''

Tax concessions to the oil and gas industry, as well as nuclear utilities, have also drawn some early fire from environmental and consumer groups.

''At a time when we should be curbing smog and global warming, these bills are going to give billions of dollars in tax breaks to the companies responsible for these problems,'' said Anna Aurelio, staff scientist at U.S. Public Interest Research Group.

Budget analysts cited a single, sizable item to illustrate how the new budgetary climate has opened up possibilities for corporations.

Since the mid-1980s, multinational corporations have attempted to secure changes in the tax code that would allow them to allocate their worldwide interest deductions in such a way as to generate additional foreign tax credits—and thereby trim their tax bills. The U.S. Treasury has been largely supportive. But according to a lobbyist for a major international bank, ''Nobody thought it could get done because it would cost so much money.''

This year, both House and Senate bills include the tax relief. The House proposal would cost $34 billion in lost revenue to the government over the next 10 years, and the slightly more modest Senate version would cost $14 billion.

''For so many years Congress was totally focused on raising revenues,'' said Douglas P. Bates, chief lobbyist for the American Council of Life Insurance. ''These were really the first tax bills in a long time where the revenue offsets [the need to find money to make up for cuts elsewhere] weren't driving the issues.''

Bates experienced that first-hand. He spent much of the week dispatching a series of e-mail messages to the organization's 500 members, alerting them to beneficial provisions that were added to the bills as they moved through the Senate Finance Committee and the House.

When the dust settled, the full House and Senate committee had approved a series of provisions that had long been on the group's wish list, including deductibility for long-term care insurance and changes in rules governing corporate pension plans. ACLI officials said the changes should create new business for life insurance companies that manage corporate pension plans or offer long-term care coverage.

After years of trying, ACLI also scored a major victory when it got the House to support repeal of a tax provision that delays the ability of life insurance companies to file consolidated returns, or write off losses of newly acquired affiliates against their own profits. The 10-year savings to the industry from that provision alone would be $949 million, according to the Joint Committee on Taxation.

ACLI Chairman Carroll A. Campbell Jr., a former member of the House Ways and Means Committee, met with committee Chairman Bill Archer (R-Tex.) to press for the change, sources said.

The change is deemed crucial to a wave of insurance company mergers, including the recent one between Provident Insurance Co., of Chattanooga, in the home state of Sen. Fred D. Thompson (R), and UNUM Corp., of Portland, Maine. Thompson, a member of the Senate Finance Committee, persuaded committee Chairman William V. Roth Jr. (R-Del.) to add part of the House provision to his tax draft hours before it was brought before the committee.

ACLI also joined with a coalition of banks and securities firms to get both the full House and Senate Finance Committee to extend for five years a temporary tax deferral on income those industries earn abroad.

The companies, working under the umbrella of the Coalition of Service Industries, will save some $5 billion in taxes over 10 years as a result of the provision, according to congressional calculations.

As uncertain as the prospects for the across-the-board tax cuts for families are, the tax relief for business seems likely to create its own pressure on Clinton and Congress to agree on legislation. And with tens of millions of dollars in campaign contributions at stake, neither party can afford to ignore business's drive for extensive tax relief this year.

''Business doesn't want a repeat of last year when there was no tax bill, just a bunch of extenders [of provisions about to expire.] It would be nice if this wasn't just a political exercise. There's enough money that I think they can work this out,'' said John Porter, an Ernst & Young tax expert.

An example of the huge stakes is the more than $1 billion that the utility industry stands to save in taxes over the next 10 years if a House provision affecting utility mergers survives.

The provision, sponsored by Rep. Gerald ''Jerry'' Weller (R-Ill.) a Ways and Means Committee member, would excuse the payment of taxes on the fund that utilities set up to cover the costs of shutting down nuclear power plants.

Weller, who has three nuclear facilities in his district, said the tax provision is crucial to the restructuring underway in the utility industry as the nation moves to a deregulated electricity market. One immediate effect would be to hasten the merger of Decatur, Ill.-based Illinova Corp. and Dynegy Inc., a Houston natural gas company.

The issue, Weller said, was important to the entire Illinois delegation, including House Speaker J. Dennis Hastert (R), though he added he has not spoken to Hastert about the matter.

But some consumer groups are wary. ''The nuclear industry has already been getting a ratepayer-funded bailout in state electricity reorganization plans. Now they're going for federal tax breaks too,'' said U.S. Public Interest Research Group's Aurelio.

Several environmental groups this week said they were still studying provisions in both the House and Senate versions of the bill that would allow timber companies to write off the cost of replanting trees over seven years, rather than recovering those costs when they sold the trees.

''We see this as a huge win for the environment,'' said Michael Kelin of the American Forest and Paper Association, which lobbied Rep. Jennifer Dunn (R-Wash.) and other timber state members. ''This will lead to a greener America.''

THE BIG WINNERS

Big Business: Relaxation of pension and health plan regulations; bills also lift some ceilings on defined pension benefits.

Expanded availability of foreign tax credits, by allowing global allocation of interest deductions (both bills).

Small Business: Repeal or reduction of estate taxes (both bills).

House restores 80 percent deductibility of business meals.

Banks, securities firms: Bills extend ability to defer taxes on income earned abroad until money is returned home.

Railroads, barge lines: both bills repeal 4.3 cents per gallon tax on rail diesel and barge fuels.

Timber: House reduces capital gain on sale of trees. Both bills allow seven-year amortization of costs of replanting trees, lifting current cap.

Insurance: House bill would end five-year restriction against life insurance companies writing off losses of affiliates against profits. House and Senate allow deductibility of long-term care insurance.

Oil and Gas: House bill allows expensing of environmental remediation costs; expands net operating loss carryback to five years; extends suspension of income limits on percentage depletion allowance.

Utilities: In utility mergers, the House bill allows acquiring companies not to pay tax on funds previously set aside to cover future costs of decommissioning nuclear plants.

Steel: House allows manufacturers to use alternative minimum tax credit carryover to reduce 90 percent of AMT liability.

PRIORITIES

1. Amount of federal tax money allocated to the Pentagon this year: $276 billion.

Sources: 1, 2, 3, 4 Budget of the United States (FY 2000); 5, 6, 7, 8 Center for Defense Information (Washington, DC); 9 World Military and Social Expenditures by Ruth Leger Sivard; 10 National Center for Educational Statistics (Washington, DC); 11, 12, Children's Defense Fund (Washington, DC); 13 Budget of the United States (FY 2000); 14 Children's Defense Fund (Washington, DC); 15 Council for a Liveable World Education Fund (Washington, DC); 16 U.S. Conference of Mayors (Washington, DC); 17 Center for Defense Information (Washington, DC); 18 Justice Policy Institute (Washington, DC); 19, 20 Budget of the United States (FY 2000); 21, 22 ''A $75 set screw? Bad old days of Pentagon purchasing are back,'' Copley News Service, by Julia Malone, March 18, 1998; 23 Center for Defense Information (Washington, DC); 24 World Military and Social Expenditures by Ruth Leger Sivard; 25, 26 SIPRI (Stockholm); 27, 28 Center for Responsive Politics (Washington, DC); 29, 30 distributed anonymously over the Internet; 31 ''Military-Industrial Complex Revisited,'' by William Hartung, World Policy Institute, November, 1998; 32 $276 billion annual Pentagon budget ÷ 365 days per year ÷ 24 hours per day ÷ 60 minutes per hour 2 minutes = $1,050,200.

2. Amount allocated to education: $31 billion.

3. Amount allocated to the Environmental Protection Agency: $7 billion.

4. Amount allocated to Head Start: $5 billion.

5. Ratio of U.S. defense spending versus Iraqi defense spending: 276 to 1.

6. Ratio of Pentagon spending to combined defense spending of Russia, China, and all ''rogue'' nations: 2 to 1.

7. Ratio of defense spending by U.S. and allies to combined defense spending by those nations: 4 to 1.

8. Rank of U.S. military spending among all nations: 1.

9. Rank of U.S. education spending per student among all nations: 10.

10. Rank of math and science test scores by U.S. high school students among industrialized nations: 18.

11. Number of children without health insurance in U.S.: 11 million.

12. Number of children without health insurance in all other industrialized nations: 0.

13. Amount of President Clinton's proposed increase to the Pentagon budget next year: $12 billion.

14. Amount needed to provide health insurance for 11 million American kids who don't have it: $11 billion.

15. Amount of pork in the Pentagon budget—not requested by the Pentagon but inserted by Congress: $5 billion.

16. Amount needed to reduce kindergarten through third grade class size to 18 students: $4 billion.

17. Amount required to build 48 of 341 new F–22 fighters, designed to fight the collapsed Soviet Union: $9 billion.

18. Amount needed to provide proven anti-crime programs for all eligible kids in U.S.: $9 billion.

19. Percentage of U.S. discretionary budget—the part of the budget that Congress votes on—given to Pentagon: 48.

20. Percentage allocated to education: 8.

21. Amount paid by the Pentagon for one screw in 1998: $75.

22. Amount such a screw would cost in a hardware store: 50 cents.

23. Rank of U.S. nuclear arsenal among all nations: 1.

24. Rank of U.S. infant mortality rate among all nations: 13.

25. Percentage decrease in Russian defense budget since 1998: 74.

26. Percentage decrease in Pentagon budget since 1998: 21.

27. Amount of political contributions and lobbying in 1997 by tobacco industry: $44 million.

28. By the weapons industry: $58 million.

29. Cost of a New Attack Submarine, proposed to replace U.S. subs that are already the world's best: $2.1 billion.

30. Cost of one decent map of downtown Belgrade: priceless.

31. Percentage of Senators who have a facility in their district owned by defense contractor Lockheed Martin: 100.

32. Amount spent by Pentagon while you read this fact sheet (average reading time 2 minutes): $1 million.

[From the Center on Budget and Policy Priorities, July 12, 1999]

MUCH OF THE PROJECTED NON-SOCIAL SECURITY SURPLUS IS A MIRAGE

VAST MAJORITY OF SURPLUS RESTS ON ASSUMPTIONS OF DEEP CUTS IN DOMESTIC PROGRAMS THAT ARE UNLIKELY TO OCCUR

(By Sam Elkin and Robert Greenstein)

Congressional Budget Office figures released July 1 indicate that the large majority of the budget surplus projected outside Social Security is essentially artificial because it depends on unrealistic assumptions that large, unspecified cuts will be made over the next 10 years in appropriated programs and that there will be no emergency expenditures over this period. When the more realistic assumption is made that total non-emergency expenditures for appropriated programs will neither be cut nor increased and will simply stay even with inflation—and that emergency expenditures will continue at their 1991–1998 average level—nearly 90 percent of the projected non-Social Security surplus disappears.[1]

The new CBO projections show that under current law, the federal government will begin running surpluses in the non-Social Security budget in fiscal year 2000 and run cumulative non-Social Security surpluses of $996 billion over the next 10 years. But these projections, like those OMB issued several days earlier assume that total expenditures for appropriated programs—which include the vast bulk of defense expenditures—will remain within the austere and politically unrealistic ''caps'' the 1997 budget law set on appropriated programs.[2]

To remain within the FY 2000 caps will entail cutting appropriated (i.e., discretionary) programs billions of dollars below the FY 1999 level. No one expects this to occur. Leaders of both parties have acknowledged that a number of appropriations bills cannot pass unless the amount of funding provided for the bills is at significantly higher levels than the current caps allow.

The caps for FY 2001 and 2002 are more unrealistic than the FY 2000 cap; the caps for those years are significantly lower than the FY 2000 cap when inflation is taken into account. Moreover, the CBO and OMB projections assume that for years after 2002, total expenditures for appropriated programs will remain at the level of the severe cap for FY 2002, adjusted only for inflation in years after FY 2002. This means that the surplus projections assume levels of expenditures for appropriated programs for fiscal years 2001 through 2009 that are lower, when inflation is taken into account, than the highly unrealistic FY 2000 cap that almost certainly will not be met.

Also of note, both parties have proposed significant increases in defense spending in coming years. Defense spending constitutes about half of overall expenditures for appropriated programs. In addition, legislation enacted last year requires increases in highway spending in coming years. These factors are further reasons why the caps are unlikely to be sustained.

CBO must base its budget projections on current law. The spending caps on appropriated programs are current law. CBO has acted properly in developing its projections. But policymakers who act as though the $1 trillion in non-Social Security surpluses projected over the next 10 years all represent new funds that can go for tax cuts of program expansions appear to misunderstand the meaning of the projections.

Because the CBO projections rest on the assumption that expenditures for appropriated programs will be held to the levels of the caps, these projections assume that over the next 10 years, these expenditures will be reduced $595 billion below current (i.e., FY 1999) levels of non-emergency discretionary spending, adjusted for inflation. (The $595 billion figure is found in a CBO table on this matter issued July 12.)

Since defense spending is widely expected to rise, all of these $595 billion in cuts would have to come from non-defense programs, primarily domestic programs. This would entail reducing overall expenditures for on-defense appropriated programs by 15 percent to 20 percent over the next 10 years, after adjusting for inflation. Since some areas of non-defense spending such as highways are slated to increase, other areas would need to be cut deeper than 15 percent to 20 percent. Achieving cuts of this magnitude in non-defense appropriated programs would be unprecedented.

Cutting federal expenditures results in lower levels of debt. CBO projects that the $595 billion in reductions in appropriated programs assumed in its baseline would generate $154 billion in additional savings over the next 10 years through lower interest payments on the debt. Consequently, the reductions in appropriated programs that the CBO projections assume result in total savings of $749 billion over the next 10 years.

These $749 billion in assumed savings account for 75 percent—or three-fourths—of the non-Social Security surplus projected over the next 10 years. Since most or all of these cuts are unlikely to materialize, a large majority of the surplus projected in the non-Social Security budget is essentially a mirage.

EMERGENCY SPENDING

Nor does this represent the full extent to which the DBO projections rest on assumptions that lead to an overstatement of the likely non-Social Security surplus. The CBO projections assume no emergency spending for the next 10 years. There will, of course, be emergencies over the next 10 years that result in government expenditures. There have been emergency expenditures outside the spending caps every year since the Budget Enforcement Act of 1990 established the caps. Hurricanes, tornadoes, floods, and international emergencies will not magically disappear.

Over the 1990's, emergency funding has averaged $8 billion a year, excluding both emergency expenditures for Desert Storm in the early 1990s and the higher level of emergency spending in fiscal year 1999.[3] The most prudent assumption to make is that emergency expenditures will continue to average about $8 billion a year.

This means an additional $80 billion of the projected surplus over the next 10 years is not likely to materialize since it will be used for emergency expenditures. This $80 billion in expenditures will cause interest payments on the debt to be $24 billion higher than the levels the CBO projections assume.

[1] We use the average level of emergency spending in fiscal years 1991 through 1998, other than expenditures for Desert Storm. This also excludes the high level of emergency spending in fiscal year 1999. The term ''appropriated programs,'' as used here, means discretionary programs.

[2] Technically, OMB assumes expenditures for discretionary programs that exceed the caps, but it also assumes offsetting reductions in mandatory programs and tax increases.

[3] The $8 billion figure represents average funding for emergencies other than Desert Storm for fiscal years 1991 through 1998, as expressed in 1999 dollars.

ESTIMATE OF AVAILABLE SURPLUS LOWER THAN IN EARLIER CENTER ANALYSES

Based on Congressional Budget Office data, this analysis shows that when realistic assumptions are used, the non-Social Security surpluses total only about $112 billion over the next 10 years. Earlier Center versions of this analysis showed modestly larger available surpluses. The revisions in this analysis stem from two factors. First, on July 12, the Congressional Budget Office issued a table that raised CBO's estimate of the portion of the CBO surplus projection that results from the assumption that discretionary spending will be cut. CBO had earlier estimated that $584 billion of the projected surplus was attributable to assuming that non-emergency discretionary spending would be reduced below the FY 1999 level of non-emergency discretionary expenditures, adjusted for inflation. CBO now estimates that $595 billion of the surplus projection is due to this assumption. Second, an earlier Center analysis did not address the assumption in the CBO projections that there would be no emergency expenditures for the next 10 years. This revised Center analysis does address this matter.

CBO'S SURPLUS FORECAST: HOW MUCH IS REALLY AVAILABLE FOR TAX CUTS AND PROGRAM EXPANSIONS?

[In billion of dollars]

CBO projection of non-Social Security surplus over 10 years	$996
Amount needed to keep non-emergency spending for appropriated programs even with inflation	−595
Likely emergency expenditures (based on average annual emergency expenditures, FY 1991–1998)	−80
Social Security administrative costs (CBO counts as a Social Security expenditure, but Congress counts as a non-Social Security expenditure)	−31
Higher interest payments on debt due to higher levels of spending for appropriated programs than the CBO projections assume	−178
Remaining surplus available for other uses (if some of this is used for tax cuts or program expansions, interest payments will rise further above the CBO projection, requiring some of the $112 billion to be used for interest costs)	

CONGRESSIONAL AND CLINTON BUDGETARY TREATMENT OF SPENDING FOR APPROPRIATED PROGRAMS

The Congressional budget resolution approved earlier this year assumes a very large tax cut of $778 billion over 10 years. The resolution can accommodate a tax cut of this magnitude because it assumes that none of the surplus will go to placing spending for appropriated programs at a more realistic level. Moreover, the budget resolution assumes that additional cuts in appropriated programs of nearly $200 billion over 10 years will be instituted, on top of the already unrealistic reductions assumed in CBO's projections. (These additional reductions would come in years after 2002.) Under the budget resolution, overall expenditures for non-defense appropriated programs would be cut 29 percent between FY 1999 and FY 2009, after adjusting for inflation.

The Clinton budget would add back somewhere in the vicinity of $500 billion over 10 years for appropriated programs, or most of the $595 billion needed to keep non-emergency spending for appropriated programs even with inflation. The Clinton budget only uses $328 billion of the surplus, however, for this purpose. The remaining funds would be raised through a series of offsetting cuts in entitlement programs and tax increases, such as a cigarette tax increase. Many, if not most, of these offsets are given little chance of passage on Capitol Hill. If these offsets are not approved and no funds from the surplus are provided for appropriated programs beyond the $328 billion the Administration has proposed, appropriated programs would have to be cut approximately $270 billion over 10 years below current levels, adjusted for inflation. (To compute the exact amount appropriated programs would have to be reduced under this scenario requires data no yet available on the Administration's new budget plans.) In addition, the Administration's budget does not appear to reserve a portion of the surplus for the emergency expenditures that inevitably will occur.

Another $31 billion also must be subtracted from the project non-Social Security surplus; it is needed for the administrative costs of operating Social Security. As the Congressional Budget Office explains on page 6 of its new report, CBO counts these $31 billion in costs as a Social Security expenditures, but Congress treats them as part of the non-Social Security budget and counts them against the spending caps on discretionary programs. (The Congressional budget resolutions passed each year include these expenditures as non-Social Security expenditures that affect the size of the non-Social Security surplus. It is the budget resolution, not the CBO projections, that Congressional budget rules enforce.) Counting these costs as part of the non-Social Security budget reduces the non-Social Security surplus.

When this $135 billion—$80 billion for emergency expenditures, $24 billion for related interest payments on the debt, and $31 billion for Social Security administrative costs—is added to the $749 billion described above in expenditures for appropriated programs and related interest payments on the debt, a total of $884 billion—89 percent of the projected non-Social Security surplus—dries up. Only $112 billion remains. (See table on page 3.) In addition, non-Social Security surpluses of any size do not appear until 2006; the non-Social Security budget either continues to show deficits or is in balance (but without significant surpluses) until that time.

One other caution regarding the surplus projections should be noted. The economic and technical assumptions underlying the forecast could prove too rosy (or not rosy enough). CBO has repeatedly warned that a high degree of uncertainty attaches to budget projections made several years in advance. In a report issued earlier this year, CBO noted that if its projections for fiscal year 2004 prove to miss the mark by the average percentage amount that CBO projections made five years in advance have provided to be off over the past decade, its surplus forecast for 2004 will be off by $250 billion.[4] If economic growth is modestly slower than forecast or health care costs rise substantially faster than is currently projected, budget surplus could be substantially lower than those reflected in the CBO estimates.

HOW MUCH OF THE SURPLUS IS AVAILABLE FOR TAX CUTS, MEDICARE, AND SOCIAL SECURITY IF MORE REALISTIC ASSUMPTIONS ARE USED?

In summary, if more realistic assumptions are used—namely, that total non-emergency expenditures for discretionary programs will remain at the fiscal year 1999 level, adjusted for inflation and emergency spending will remain at its average level for the recent past—a very different picture emerges of how much in surplus funds is available for tax cuts, shoring up Medicare and Social Security, and other initiatives. Under this more plausible scenario, only about $112 billion remains available, and hardly any of it is available in the next five years.[5]

[4] In computing the average percentage amount by which CBO projections made five years in advance have proven to be off, CBO excluded the effects of legislation on deficits or surpluses. The $250 billion figure is based on the average percentage amount by which the budget projections missed the mark due solely to economic and technical factors. See CBO, *The Economic and Budget Outlook: Fiscal years 2000–2009*, January 1999, p. xxiii.

[5] There would be a small non-Social Security surplus in fiscal year 2002.

It may be noted that to assume, as we do here, that total non-emergency expenditures for appropriated programs will be no higher in future years that non-emergency expenditures for such programs in fiscal year 1999, adjusted for inflation, is to use a conservative assumption. It is a foregone conclusion that defense spending will rise faster than inflation. Hence, for overall non-emergency expenditures for appropriated programs to remain even with inflation, non-defense programs must be cut in real (i.e., inflation-adjusted) dollars. Yet spending for some non-defense program areas such as highways is already slated to rise. The House recently passed legislation to boost aviation spending as well. Thus, the assumption used here for expenditures for appropriated programs may be too low.

These findings have major implications for policymakers. For there to be sufficient surplus funds to finance the large tax cuts some policymakers advocate, Congress would have to make cuts of unprecedented depth in appropriated programs over the next 10 years—cuts substantially deeper than those policymakers are balking at passing this year.

TRENDS IN DISCRETIONARY SPENDING

Expenditures for appropriated (i.e., discretionary) programs are already low in historical terms as a percentage of GDP. There is serious question about how much further they can be expected to decline.

CBO projects that total discretionary spending will equal 6.5 percent of GDP in fiscal year 1999, the lowest level since at least 1962. (Published data on discretionary spending as a share of GDP only go back to 1962.)

Much of the decline in discretionary spending as a share of GDP has come in defense spending, which fell following the end of the Cold War. But non-defense discretionary pending also has contracted as a share of GDP. At 3.4 percent of GDP this year and last, non-defense discretionary spending is at as low or lower a share of GDP as in any year since 1962.

Under the new budget projections, discretionary spending would fall much further as a percentage of GDP. The new CBO projections assume discretionary spending will fall from 6.5 percent of GDP today to 5.0 percent in 2009, as much lower level than in any year in decades.

Dicretionary spending may be approaching its limits in terms of how much more it can fall as a share of GDP. That may be one of the lessons both of last year's highway bill and of last October's omnibus appropriations bill, which exceed the budget limits for discretionary spending and designated the overage as emergency spending.

While non-defense discretionary spending has fallen over the past several decades as a share of GDP, it has not declined in inflation-adjusted terms (although it has declined since 1980 if an adjustment reflecting the increase in the size of the U.S. population is made as well). If we have emerged from a period of deficits without expenditures for non-defense discretionary programs having declined in inflation-adjusted terms, there is little reason to believe the political system will exact deep cuts in this part of the budget when the outlook is sunny, surpluses have merged, and pent-up demands for various types of discretionary spending are coming to the fore (witness the aviation bill the House recently approved). This underscores the unrealistic nature of the assumptions of substantial reductions in discretionary program expenditures that underlie the projections of $1 trillion non-Social Security surpluses.

THE DISASTROUS STATE OF AGRICULTURE IN AMERICA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Tennessee (Mr. BRYANT) is recognized for 5 minutes.

Mr. BRYANT. Mr. Speaker, it is a pleasure to be here today. I do have the high honor of representing the Seventh District of Tennessee. Both that district and the State itself has a very strong and diverse economy.

Included as part of the base of that economy is agriculture, and as I would follow on the heels of my colleague, the gentleman from Kansas (Mr. MORAN), his statements, our agriculture in Tennessee and in this country is in a disastrous state, something that we ought to all be concerned with here in Congress. As we work to satisfy the number of issues that are out there that cover the board, we cannot forget about agriculture.

Mr. Speaker, I have had several meetings in my district where I talked to different constituencies, and that is a consistent complaint that we hear; that while we are doing well in our industries, our manufacturing, our distribution across the State, the agricultural communities, not only the farmers and beef producers, the pork producers, but the communities in which they live, the banks, the equipment dealers, the stores, the retailers, are all suffering along with them.

I have been told that in effect what is happening in the agricultural communities is that they are being paid 1950s prices, but yet their expenses are 1999 expenses today. I would challenge any part of our economy to operate under those standards, that you are getting paid like you were in 1950, but your expenses are today's expenses. You cannot exist very long in that type of situation.

When we came to Congress in 1994, we did a lot of good things. One of the good things we did was try to turn our farmers loose to compete like everybody else; to lift up all the programs and restraints that they had and to let them compete in this world market, this global market that we are in.

One of the commitments we made to these farmers, in addition to lifting these restraints and saying, you are on your own, go out and do the best you can, one of the conditions we laid out was that we will help you with the estate tax.

Despite what the previous speaker, my colleague, the gentleman from Massachusetts, said, this tax bill that we passed last week does wonderful things for our farmers. It does in fact help them with the estate tax. When the family farm can be passed along with less estate tax being paid, it is more likely that the heirs, the children of that farmer, will be able to keep that family farm.

I would suggest that this bill we passed last week, this tax reform, goes to more than just 300 of the richest Americans out there, it goes to our farm owners, our small businesses in our smaller communities.

Another thing that we did in that tax bill was help our farmers through self-insured insurance. When they buy their own insurance, they can deduct that total premium for that. This 10 percent across-the-board tax break, this applies to farmers, also.

One of the other requirements that we promised them back when we lifted the programs was that we would help them in our markets, help them stabilize their markets. When they raise all their crops, have the good years, when they win the battle over the droughts and too much rain and bugs and pests that come out to destroy their crops, they still have to sell those crops somewhere. We promised them we would help stabilize the markets.

I would simply ask my colleagues, every time that we have an opportunity to vote on these kinds of issues that pertain to boycots and embargoes against other countries, particularly as they deal with food and fiber, that we be careful there that we do not always do that at the blink of an eye.

Another commitment we made to our farmers was regulatory relief. We said we would make it easier for them to farm, and yet, we hear stories in committees that I sit in about the Environmental Protection Agency coming in and wanting to take away some of the chemicals that our farmers use to be able to be as successful as they are in producing basically the food for the world.

Now we are being told that maybe they cannot use some of these chemicals, or that some of their land may be a wetland and that it ought to be in a position where they cannot use it to farm. They pay taxes on it, they own it, but they cannot farm it.

I am simply saying that our farmers are the best stewards of the lands that we have. They have to be good stewards. They have to be environmentalists. They want to take care of the land because it is their source of living. There are not any better stewards of land out there than the farmers.

I would remind my colleagues that when we get into these kinds of issues, I would ask that we remember our farmers. We have to keep them in mind. A lot of people seem to think, and I say this jokingly, though, that the food starts in the grocery store, and that the fiber or clothing that we buy starts in the department stores. They do not think anything about what causes that to appear in the stores. They simply think it is there when they go buy something, and it will always be there. But we have to keep our farmers in mind as we deal with the panoply of legislation that we deal with.

I simply use my 5 minutes of time this afternoon to remind my colleagues of the importance of our agricultural communities.

SOCIAL SECURITY AND FEDERAL SPENDING PRIORITIES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. NADLER) is recognized for 5 minutes.

Mr. NADLER. Mr. Speaker, I rise to speak about national priorities and Federal budget needs. It is now estimated that the budget surpluses over the next 10 years, not counting social security surpluses, will be a little under $1 trillion. Now everyone in Washington wants to figure out how to spend that $1 trillion.

Last week we saw the Republican plan for that money. Last week the House of Representatives passed a bill to use almost the entire surpluses, $792 billion of the projected $966 billion surpluses for the next 10 years, for a tax cut, a tax cut heavily slanted to the rich, a tax cut in which 1 percent of taxpayers will get 30 percent of the tax relief, and a tax cut that is back end loaded and will cost an additional $2 trillion in revenues in the second 10 years, just when the baby boomers will be retiring and necessitating huge new expenditures for social security and Medicare.

Mr. Speaker, last week the House of Representatives also passed the defense appropriations bill, which will spend $266 billion for defense programs, $2.8 billion more than the administration requested. When combined with other military spending bills, the total defense spending will be $288 billion this year, about $8 billion more than the President's request and almost $10 billion more than the cap set by the 1997 Balanced Budget Act.

Thankfully, that bill did not include funding to purchase the Rolls Royce of the sky, the F–22 jet fighter. There is still a very real danger the funding for the F–22 will be restored in conference. That would be a huge mistake. For the price of each F–22 plane at $200 million per plane, it will be too expensive to risk in combat. For each F–22, you could repair 117 American schools, you could build 33 new elementary schools, or enroll 40,000 more children in Head Start. Is that not a better use of taxpayer funds?

However, when Congress cut the F–22, it did not use the funds for schools or children, it used the funds for more defense spending. Members of Congress cannot wait to bust the budget caps and spend millions more for defense, but we have not done the same for domestic social programs. We all know every penny we spend on the military will not be available to strengthen social security, build affordable housing, extend health care coverage to millions of Americans, or pay down the national debt, and yet we are still talking about devastating cuts to vital Federal programs, included social security.

The surplus we hear so much about is based on the assumption that most domestic programs will be cut far past the bone. Simply providing enough funding for non-defense discretionary